



# **The Scottsdale/Paradise Valley Tourism Study — *Part II: Visitor Statistics***



**November 2010**  
**Economic Vitality Department**



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## Part II: Visitor Statistics

### November 2010

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## I. STUDY OVERVIEW

### Part I: Lodging Statistics

Part I of the Scottsdale/Paradise Valley Tourism Study analyzes trends relating to the lodging industry in the Scottsdale/Paradise Valley tourist market area. The study looks specifically at trends in local transient occupancy tax (bed tax) collection, room inventory, average room rates, occupancy rates, and other factors relating to lodging trends. The Lodging Statistics study is designed to provide necessary data relating to the lodging industry for developers, local hoteliers, tourism marketing representatives, financing agencies, and others with an interest in hospitality industry trends.

*The Scottsdale/Paradise Valley Tourism Study, Part I: Lodging Statistics* report is prepared annually and is available at no charge from the City of Scottsdale Economic Vitality Department, or at [www.scottsdaleaz.gov/economics.asp](http://www.scottsdaleaz.gov/economics.asp).

### Part II: Visitor Statistics

Part II of the Tourism Study analyzes trends relating to tourists themselves. It examines the total number of tourists, their spending patterns and socio-demographic profiles, and the overall economic impact of the tourism industry in the study area. The Visitor Statistics study is designed to provide data that gives a profile of the type of tourist that comes to the area, and to evaluate the economic impact tourism has on the community.

*The Scottsdale/Paradise Valley Tourism Study, Part II: Visitor Statistics* report is prepared once a year, and is available at no charge from the City of Scottsdale Economic Vitality Department, or at [www.scottsdaleaz.gov/economics.asp](http://www.scottsdaleaz.gov/economics.asp).

The Economic Vitality Department welcomes your input and suggestions for changes and additions in future issues of this publication, and is pleased to grant permission to use excerpts from this material when credit is given to the City of Scottsdale.

While information in this report is deemed accurate, no guarantees are made or implied. Users should rely on their own research and conclusions regarding the conditions and viability of the overall economic impact of the Scottsdale tourism industry.

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## II. THE SCOTTSDALE/PARADISE VALLEY TOURISM STUDY

### Introduction

The purpose of *The Scottsdale/Paradise Valley Tourism Study: Parts I and II* is to provide assistance, through collected industry data, to entities evaluating tourism, retail, or hospitality opportunities in the study area; to provide market information to tourism, retail, and hospitality operations located in the study area; and to provide information to elected officials, city management, and the general public regarding the tourism and hospitality markets.

### Study Limitations

The information contained in this study is based on tax collection figures, previous studies, local estimates based on Metro area figures, and other data sources. The City believes these figures provide the best available data.

### Definition of Terms

Throughout this study, the following terms will be used in describing visitor statistics:

#### Areas

**Scottsdale** – Within the corporate limits of the City of Scottsdale

**Paradise Valley** – Within the corporate limits of the Town of Paradise Valley

**Other** – Within the Scottsdale/Paradise Valley market area; including portions of East Phoenix, North Tempe, Carefree, Cave Creek, and Fountain Hills (see *Map 1*, p. 9)

#### Visitors

**Hotel Visitor** – Visitor occupying a transient lodging room in the market area

**Day Visitor** – Visitor not staying overnight in the market area

### III. EXECUTIVE SUMMARY

- ◇ Scottsdale hosted an estimated 7.5 million visitors in 2009, with an economic impact of \$2.6 billion.
- ◇ The City of Scottsdale was visited by almost 6.5 million day visitors in 2009.
- ◇ The typical overnight leisure traveler to Scottsdale is 56 years old with a median household income of \$103,000. These visitors come primarily from the West, the Midwest, and Southern regions of the United States.
- ◇ Tourists to the Scottsdale area have a tremendous impact on revenue for the City. Privilege tax collections attributable to visitors for FY09/10 totaled an estimated \$27.8 million.
- ◇ The top ten activities participated in by Scottsdale visitors are (in order): dining, shopping, day trips, art galleries, Native American arts & culture, Western culture & attractions, outdoor desert activities, special events, nightlife, and golf.
- ◇ The total number of visitor-nights spent in Scottsdale hotels in 2009 was 5.9 million.
- ◇ The average room rate for market area hotels in 2009 was \$139.28, and occupancy was 56.0 percent.
- ◇ Scottsdale received a fiscal return of about \$1.29 from visitors for every \$1 spent in operating costs in 2009/10. This is slightly higher than last years, fiscal return.





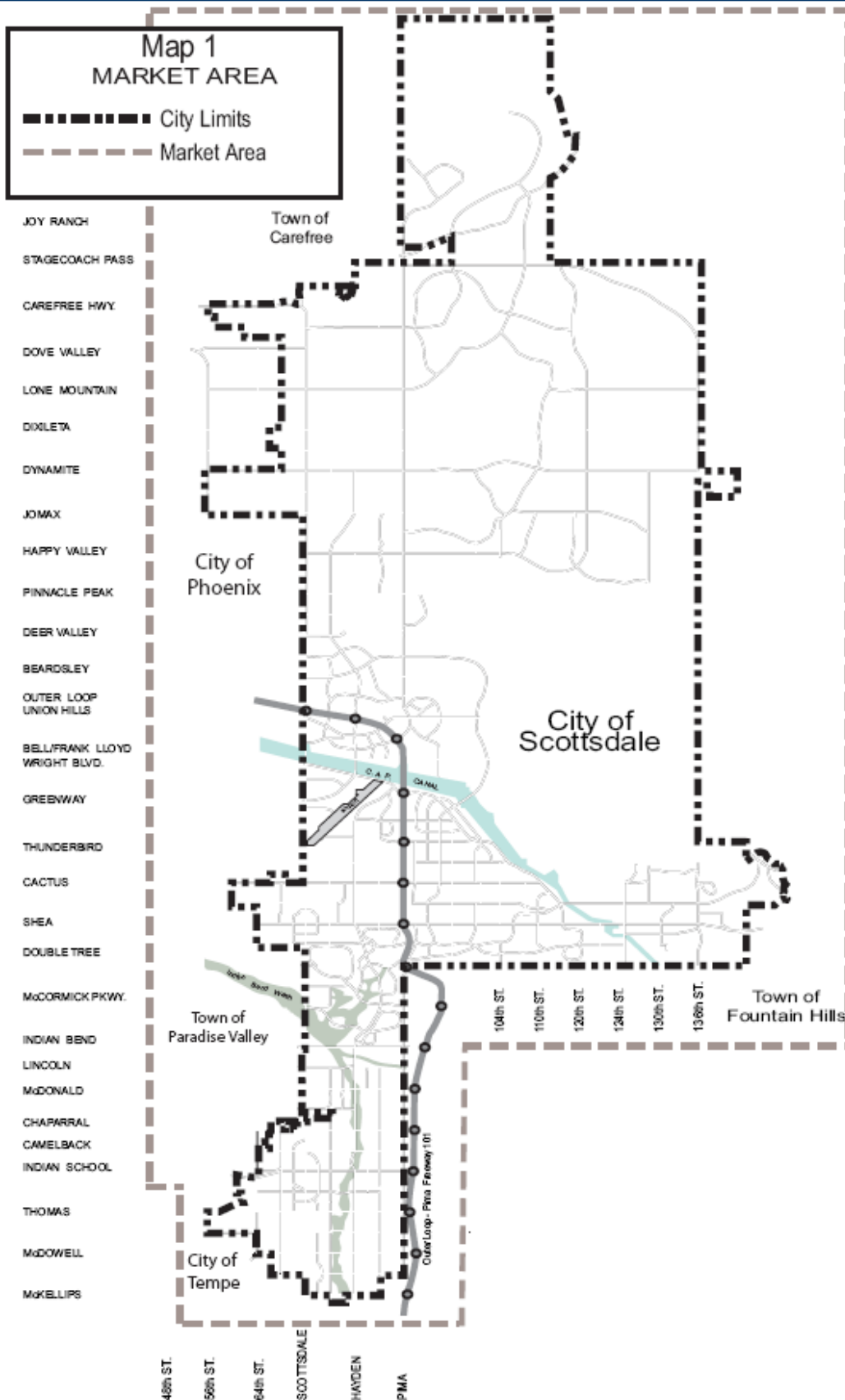
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## IV. THE SCOTTSDALE/PARADISE VALLEY MARKET AREA

The market area map (p. 9) shows the boundaries of the Scottsdale/Paradise Valley market area. This area contains all of the City of Scottsdale and the Town of Paradise Valley; portions of the cities of Phoenix and Tempe; and parts of the towns of Carefree, Cave Creek, and Fountain Hills.







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## V. ATTRIBUTES OF THE SCOTTSDALE TOURISM MARKET

### Scottsdale Tourism Industry

The hospitality industry, represented by premier desert resorts and specialty shopping, has characterized Scottsdale's lifestyle for decades. The growth of this industry has kept pace with Scottsdale's overall economic growth.

The evolution of the lodging industry in Scottsdale has paralleled that of the Southwest. In the early days of Scottsdale's hospitality industry, dude ranches and health spas flourished. In the 1960's, the local art industry and specialty shopping districts blossomed as the resort hotel industry expanded. This ultimately gave way to the full service, amenity-laden, recreation properties that have made the resort business in Scottsdale unique, attractive, and successful.

Today, Scottsdale is an internationally recognized tourism destination community widely known for its spectacular golf courses, recreational amenities, climate, five-star resorts, emerging Downtown with its urban "boutique" hotels, exciting nightlife scene, numerous events and attractions, the Sonoran desert, world-class restaurants, and art galleries. All of these factors contribute to positioning the Scottsdale market to emerge strongly as the current economic downturn eases.

### Did you know?

In a 2010 survey, 93% of all visitors surveyed rated their Scottsdale experience as excellent or good!



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## VI. VISITORS TO THE SCOTTSDALE / PARADISE VALLEY MARKET AREA

The methodology used to determine the impacts of the estimated number of visitors to the City of Scottsdale is as follows: the total number of visitors and visitor-nights by category are determined, the respective expenditure patterns and values appropriate to each visitor category are applied and aggregated, and then the total value of visitor economic impact is determined.

### Number of Visitors

*Table 1-A* (p. 12) presents the total occupied hotel room-nights for the Scottsdale/Paradise Valley market area in 2009. The total number of available rooms in each of the three sub-areas (the City of Scottsdale, the Town of Paradise Valley, and the additional properties considered to be part of the Scottsdale/Paradise Valley market area) is multiplied by 365 in order to determine the number of available room-nights. The number of room-nights is then multiplied by the occupancy rate to determine the total number of occupied room-nights. Based on the 2009 average occupancy of 56.0 percent, the total number of occupied room-nights in 2009 was 3,301,060.

*Table 1-B* (p. 12) shows the total number of visitors to the market area. To determine the total number of visitors, the total number of occupied room-nights is multiplied by the average number of persons per room, providing a figure for total visitor nights (one visitor night equals one person staying one night). The figure for total visitor nights is then divided by the average length of stay. The Behavior Research Center's 2010 *City of Scottsdale Visitor Inquiry Study* reports the median length of stay for Scottsdale hotel guests in 2009 was 5.8 days.

Using these calculations, the total number of hotel visitors in the Scottsdale/Paradise Valley market area in 2009 was 1,024,467.

*Table 2-A* (p. 13) shows the total number of visitors in the Scottsdale/PV market area in 2009. The "day visitor" category is difficult to determine because there is no accurate way to measure this group. The number of visitors to the metro Phoenix area in 2009 was approximately 14 million. The total number of hotel visitors to the Scottsdale/PV market area (1.0 million) was subtracted from this number and a capture ratio of 50 percent was applied to the balance (using the Behavior Research Center's 2000 "Metropolitan Arizona Visitor Study" findings that 63 percent of metro Phoenix visitors frequent Scottsdale/PV; and discounting 20 percent of that to eliminate those visitors who went only to Paradise Valley), making the number of estimated Scottsdale day visitors to be almost 6.5 million in 2009.

*Table 2-B* (p. 13) shows the total number of overall visitor-nights for 2009 in the Scottsdale/Paradise Valley market area, including both hotel visitors and historical data for houseguests and seasonal visitors (categories which are no longer tracked).

<b>Table 1-A</b> <b>2009 Hotel Room-Nights</b> <i>Scottsdale/Paradise Valley Market Area</i>				
	<b>Number of Rooms Available*</b>	<b>x</b>	<b>Days</b>	<b>= Available Room-Nights</b>
Scottsdale	9,397	x	365	= 3,429,905
Paradise Valley	1,864	x	365	= 680,360
Other Market Area Properties	4,889	x	365	= 1,784,485
<b>TOTAL</b>	<b>16,150</b>	<b>x</b>	<b>365</b>	<b>= 5,894,750</b>
	<b>Available Room-Nights</b>	<b>x</b>	<b>2009 Occupancy</b>	<b>= Occupied Room-Nights</b>
Scottsdale	3,429,905	x	56.0%	= 1,920,747
Paradise Valley	680,360	x	56.0%	= 381,002
Other Market Area Properties	1,784,485	x	56.0%	= 999,312
<b>TOTAL</b>	<b>5,894,750</b>	<b>x</b>	<b>56.0%</b>	<b>= 3,301,060</b>

**Source:** City of Scottsdale, Economic Vitality Department; Smith Travel Research

\*Scottsdale/Paradise Valley "Tourism Study, Part 1: Lodging Statistics", May 2010

<b>Table 1-B</b> <b>2009 Number of Hotel Visitors/Visitor Nights</b>				
	<b>Occupied Room Nights</b>	<b>x</b>	<b>Persons per Room</b>	<b>= Total Visitor Nights</b>
<b>Hotel Visitors</b>				
Scottsdale	1,920,747	x	1.8	= 3,457,345
Paradise Valley	381,002	x	1.8	= 685,804
Other Market Area Properties	999,312	x	1.8	= 1,798,762
<b>Total Visitor Nights</b>	<b>3,301,061</b>	<b>x</b>	<b>1.8</b>	<b>= 5,941,910</b>
	<b>Total Visitor Nights</b>	<b>/</b>	<b>Average Length of Stay</b>	<b>= Total Hotel Visitors</b>
<b>Hotel Visitors</b>				
Scottsdale	3,457,345	/	5.8	= 596,094
Paradise Valley	685,804	/	5.8	= 118,242
Other Market Area Properties	1,798,762	/	5.8	= 310,131
<b>Total Hotel Visitors:</b>	<b>5,941,910</b>	<b>/</b>	<b>5.8</b>	<b>= 1,024,467</b>

**Source:** City of Scottsdale, Economic Vitality Department

Table 2-A Total Number of Market Area Visitors				
Year	Hotel Visitors	Day Visitors*	Total Visitors	% Change
2002	1,076,721	6,042,926	7,119,647	3.2%
2003	1,216,846	6,108,638	7,325,484	2.9%
2004	1,249,492	6,049,732	7,299,224	-0.4%
2005	1,304,968	6,122,295	7,427,263	1.8%
2006*	1,299,233	6,928,416	8,227,649	10.8%
2007	1,243,405	7,107,053	8,350,458	1.5%
2008	1,183,146	6,894,877	8,078,023	-3.3%
2009	1,024,467	6,487,767	7,512,234	-7.0%

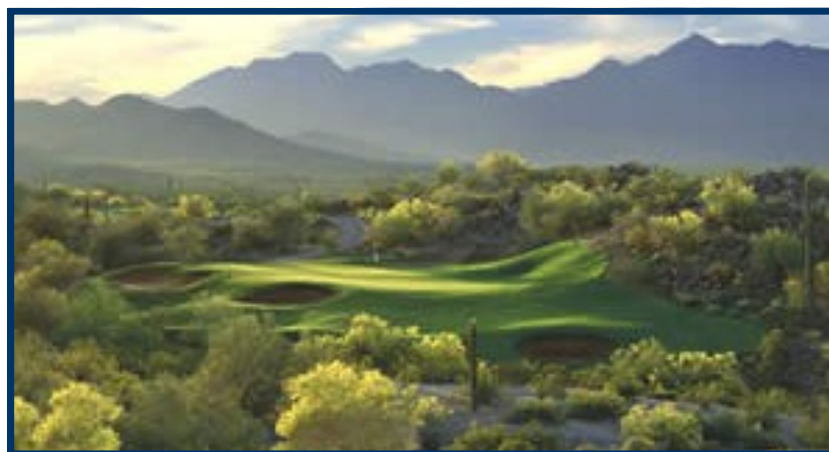
**\*Note=** "Day Visitors" calculation is based on regional overnight visitation from the Arizona Office of Tourism. The physical boundaries for the Phoenix region were slightly expanded in 2006 from previous years resulting in an increase in the regional overnight visitation total.

**Source:** City of Scottsdale, Economic Vitality Department; Arizona Office of Tourism

Table 2-B Total Number of Market Area Visitor Nights		
Year	Total Hotel Visitor Nights*	% Change
2002	5,921,964	14.3%
2003	6,327,599	6.8%
2004	6,497,357	2.6%
2005	6,785,820	4.4%
2006	7,015,856	3.4%
2007	6,714,389	-4.3%
2008	6,507,302	-3.1%
2009	5,941,910	-8.7%

\*Refer to Table 1-B

**Source:** City of Scottsdale, Economic Vitality Department





## Visitor Spending Patterns

Table 3 (p. 15) details visitor spending patterns by category and type of visitor. The total dollar amounts spent per person per day are based on bed tax and sales tax revenues, and on previous research. This data has been updated and modified for Scottsdale based on local tax collection data.

Scottsdale visitors staying in hotels allocated their expenditures in the following manner: lodging 37 percent, food and beverage 25 percent, retail 14 percent, local transportation 9 percent, and entertainment 15 percent. Additionally, estimates were made as to what portion of each of these categories was *actually spent* in the City of Scottsdale, in order to determine total expenditures in Scottsdale.

Table 3 also provides estimates of daily spending by hotel guests and day visitors. These figures are based on previous research and estimates that take into consideration existing conditions in Scottsdale and the types of visitors typically attracted to Scottsdale. Hotel guest spending per person per day in 2009 was \$209.13, while the average day visitor spent \$41.83 per day.

### Did you know?

The total direct and indirect spending by visitors in Scottsdale in 2009 was approximately \$2.6 billion.





<b>Table 3</b> <b>2009 Visitor Spending in Scottsdale</b> <i>Scottsdale/Paradise Valley Market Area</i>		
	<b>Scottsdale Hotel Visitor</b>	<b>Scottsdale Day Visitor</b>
<b>Total Spent per Person per Day</b>	\$209.13	\$41.83
<b>Lodging</b>		
% of Total Spent	37%	-
\$ Spent	\$77.38	-
% spent in Scts.	100%	-
\$ spent in Scts.	\$77.38	-
<b>Food &amp; Beverage</b>		
% of Total Spent	25%	40%
\$ Spent	\$52.28	\$16.73
% spent in Scts.	89%	100%
\$ spent in Scts.	\$46.53	\$16.73
<b>Retail Goods</b>		
% of Total Spent	14%	50%
\$ Spent	\$29.28	\$20.91
% spent in Scts.	83%	100%
\$ spent in Scts.	\$24.30	\$20.91
<b>Local Transportation</b>		
% of Total Spent	9%	3%
\$ Spent	\$18.82	\$1.25
% spent in Scts.	50%	100%
\$ spent in Scts.	\$9.41	\$1.25
<b>Entertainment/Attractions</b>		
% of Total Spent	15%	7%
\$ Spent	\$31.37	\$2.93
% spent in Scts.	75%	100%
\$ spent in Scts.	\$23.53	\$2.93
<b>TOTALS</b>		
% of Total Spent	100%	100%
\$ Spent	\$209.13	\$41.83
% spent in Scts.	87%	100%
\$ spent in Scts.	\$181.15	\$41.83

Source: City of Scottsdale, Economic Vitality Department

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## Total Visitor Expenditures

*Table 4* (p. 17) summarizes total visitor expenditures in Scottsdale in 2009. The daily expenditure rate per person from *Table 3* is multiplied by the percentage of those expenditures that are actually made in the City of Scottsdale. The figure is then multiplied by the total number of visitor nights, from *Table 2*, to determine the total expenditures made by Scottsdale visitors.

The total direct expenditures by visitors in the City of Scottsdale in 2009 amounted to almost \$1.0 billion. By applying a multiplier of 1.5 in additional indirect expenditures, the total direct and indirect spending by visitors in Scottsdale in 2009 was just over \$2.6 billion.

### Did you know?

The visitor industry provides an estimated \$27.8 million (approximately 21 percent) of total privilege tax collections



<b>Table 4</b> <b>2009 Total Visitor Expenditures</b> <i>Scottsdale/Paradise Valley Market Area</i>					
	<b>Daily Expenditure Rate/Person</b>	<b>x</b>	<b>Total Visitor Nights or Day Visitors</b>	<b>=</b>	<b>Total Market Area Expenditures</b>
<b>Scottsdale</b>					
Hotel Visitor	\$209.13	x	3,457,345	=	\$723,034,560
Day Visitor	\$41.83	x	6,487,767	=	\$271,383,294
<b>Paradise Valley</b>					
Hotel Visitor	\$209.13	x	685,804	=	\$143,422,191
<b>Other Market Area</b>					
Hotel Visitor	\$209.13	x	1,798,762	=	\$376,175,097
<b>TOTAL</b>	-		-		<b>\$1,514,015,141</b>
	<b>Total Market Area Expenditures</b>	<b>x</b>	<b>% Spent in Scottsdale**</b>	<b>=</b>	<b>Total Direct/Indirect Spending in Scottsdale</b>
<b>Scottsdale</b>					
Hotel Visitor	\$723,034,560	x	87.0%	=	\$629,040,067
Day Visitor	\$271,383,294	x	100.0%	=	\$271,383,294
<b>Paradise Valley</b>					
Hotel Visitor	\$143,422,191	x	37.0%	=	\$53,066,210
<b>Other Market Area</b>					
Hotel Visitor	\$376,175,097	x	28.0%	=	\$105,329,027
<b>Direct Expenditures</b>				<b>=</b>	<b>\$1,058,818,598</b>
<b>Indirect Expenditures*</b>				<b>=</b>	<b>\$1,588,227,898</b>
<b>TOTAL</b>				<b>=</b>	<b>\$2,647,046,496</b>

Source: City of Scottsdale, Economic Vitality Department

\*Using a multiplier of 1.5 (Indirect expenditures = Direct expenditures x 1.5)

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## VII. TOURISM IMPACTS ON SCOTTSDALE

The tourism industry is an integral part of economic activity in the City of Scottsdale, generating more than \$2.6 billion in total economic activity within the community in 2009. The tourism industry is one of the most significant sources of revenue for the City of Scottsdale's operations.

### Visitor Fiscal Contributions

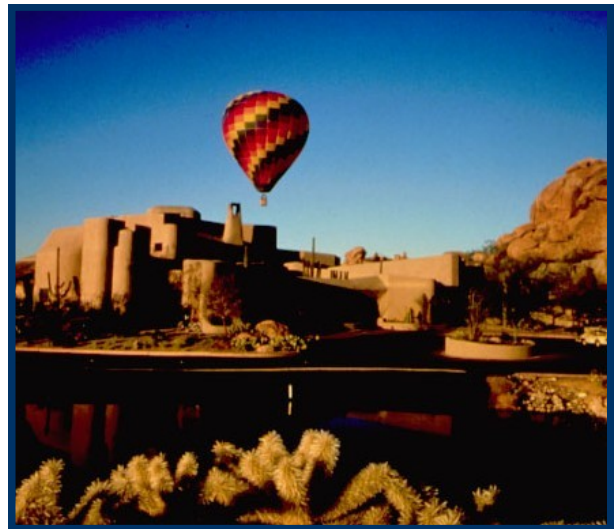
The visitor industry is a substantial revenue source for the City of Scottsdale's operations, primarily through bed tax and sales tax. Bed taxes are paid directly on room rates. With sales tax, visitor expenditures are directly related in a variety of areas, including hotels, restaurants, miscellaneous retail, rentals, and automotive.

This section looks at the actual collections by the City of Scottsdale and assigns the proportions directly ascribed to visitors.

*Table 5* (p. 19) provides a breakdown of all the sales taxes paid in FY09/10 by major category and total bed tax paid. By applying an estimate for each of these categories as to the percentage of the tax received from visitors, total privilege tax collections attributable to the visitor industry is determined. The percentages are estimated based on comparison of increases in sales tax revenues during peak season versus off-season.

### Visitor Fiscal Contributions (Cont.)

The visitor industry provides an estimated \$27.8 million (approximately 21 percent) of total privilege tax collections. Additionally, secondary revenue sources can be attributed to the visitor (property tax, fees for services, etc.); however, these amounts are not considered to be significant.



**Table 5**  
**Direct Revenues from Visitor Expenditures**  
*City of Scottsdale*

Privilege Tax Industry Sectors	2009/10 Total Privilege & Use Tax Collections	% Tax Attributable to Visitors*	2009/10 Collections Attributable to Visitors
Hotels/Motels	\$6,583,744	94%	\$6,188,719
Restaurants	\$11,205,146	25%	\$2,801,287
Department Stores	\$14,758,583	20%	\$2,951,717
Misc. Retail	\$19,815,804	22%	\$4,359,477
Other Taxable	\$8,959,360	15%	\$1,343,904
Rental	\$18,396,559	10%	\$1,839,656
Food Stores	\$9,882,544	5%	\$494,127
Construction	\$13,463,531	0%	\$0
Utilities	\$7,780,963	0%	\$0
Fees/Penalties/Interest	\$2,374,651	0%	\$0
Auto Related	\$13,852,861	5%	\$692,643
<b>SUBTOTAL</b>	<b>\$127,073,746</b>	<b>16%</b>	<b>\$20,671,529</b>
Bed Tax	\$7,086,052	100%	\$7,086,052
<b>GRAND TOTAL</b>	<b>\$134,159,798</b>	<b>21%</b>	<b>\$27,757,581</b>

**Source:** City of Scottsdale, Financial Services Department and Economic Vitality Department

\* Percentage based on sales tax data



## Fiscal Costs Related to Visitors

Once the fiscal contributions have been determined, the next step is measuring the direct and indirect costs borne by the City of Scottsdale as a result of the visitors.

The most significant costs incurred by the City as a result of the visitor industry are the operating expenses from the City's General Fund, including police and fire protection, parks and recreation, infrastructure, maintenance, etc. For this study, these operating expenses have been allocated among the various resident/visitor sub-groups to determine the annual municipal costs attributable to visitors.

*Table 6* uses an allocation formula, based on the number of individual "person-days" spent by each group in the community (residents, hotel visitors, and day visitors), and assumes each person in the community uses City services on an equal basis. For example, Scottsdale residents demand services 365 days per year, while visitors to Scottsdale demand services (on average) 5.8 days per year. These percentages are then applied to the municipal operating costs of the General Fund, as shown in *Table 7* (p. 21). In FY09/10, the City of Scottsdale spent over \$217 million on these services. Based on the allocation of costs, just over \$22 million of Scottsdale's municipal operating costs were used to serve its annual visitor population.

Table 6						
2009 Visitor/Resident Duration of Stay						
City of Scottsdale						
	Number	x	Duration of Stay (Days)	=	Total Person-Days	Percent of Total
Residents	230,625	x	365	=	84,178,125	90.2%
Hotel Visitors	1,024,467	x	5.8	=	5,941,909	6.4%
Day Visitors	6,487,767	x	0.5	=	3,243,884	3.5%
Total	7,742,859		-		93,363,917	100%

**Source:** City of Scottsdale, Economic Vitality Department



<b>Table 7</b> <b>Municipal Operating Costs Attributable to Visitors</b> <i>City of Scottsdale: 2009/2010</i>				
	<b>% of Total*</b>	<b>Resident Share</b>	<b>Visitor Share</b>	<b>Total***</b>
Resident	90.2%	\$195,982,411	-	-
Hotel Visitor	6.4%	-	\$13,905,626	-
Day Visitor	3.5%	-	\$7,604,639	-
<b>Total</b>	<b>100%</b>	<b>\$195,982,411</b>	<b>\$21,510,265</b>	<b>\$217,492,675</b>

**Source:** City of Scottsdale, Economic Vitality Department

\*Refer to Table 6

\*\*FY 2009/10 General Fund adopted budget for direct public service City departments (i.e., Public Safety, Community Service, and Municipal Service) totaled \$217,275,400.

\*\*\*Resident Share plus Visitor Share

## Cost/Benefit Analysis

Scottsdale visitors make a significant contribution to the community's economy. Even with the difficult economic environment that strongly affected tourism worldwide, direct expenditures by visitors to Scottsdale totaled an estimated \$1.1 billion for 2009 (refer to *Table 4*). Using a 1.5 multiplier, the total economic contribution (direct and indirect expenditures) of visitors to the community is approximately \$2.6 billion.

Sales tax and bed tax payments by Scottsdale visitors in FY09/10 amounted to about \$27.8 million. These are actual dollars that go into the City treasury. Visitor sales tax and bed tax represented approximately 21 percent of Scottsdale's total sales, and use taxes.

In FY09/10, the City of Scottsdale spent an estimated \$21,510,265 million in operation costs to support its visitors (refer to *Table 7*). The cost of supporting market area visitors is substantially less

than the tax revenues received by the market area from visitors (refer to *Table 5*). In fact, it is estimated that the Scottsdale treasury received over \$6 million more than it expended in support of visitors, resulting in a benefit/cost ratio of \$27,757,581 to \$21,510,265 or 1.29:1.

The Scottsdale visitor is a cost-effective addition to the community because for every \$1 the City spends in operating costs to serve its annual visitor population, it receives \$1.29 in return. Historically, this ratio has been significantly higher, but this does represent a slight increase from 2008.